



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

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Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

April 23, 2008

To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "W. T. Fujioka", is written over the printed name and title.

SACRAMENTO UPDATE

State Deficit

As indicated in various recent news accounts, speculation about the size of the State's Budget deficit is likely to persist until the Governor releases the May Budget Revision on May 14, 2008. However, some facts are readily available. When the Governor introduced his Proposed Budget and declared a fiscal emergency calling the Legislature into a Special Session in January, he cited a \$3.3 billion shortfall in FY 2007-08 and a \$14.5 billion problem by the end of FY 2008-09. The Legislature completed its work on the Special Session on February 15, 2008, and according to the Assembly Budget Committee Fiscal Emergency Special Session Report, legislative actions eliminated the FY 2007-08 shortfall and reduced the estimated FY 2008-09 deficit to approximately \$7.5 billion.

A subsequent analysis by the Legislative Analyst's Office (LAO) pegged the FY 2008-09 problem at \$16 billion without taking into account the impact of the Legislature's mid-year actions. The LAO's report was issued after the Legislature acted on the Governor's fiscal emergency proclamation. The \$1.5 billion difference between the LAO's estimated \$16 billion FY 2008-09 shortfall and the Governor's Proposed Budget projection of a \$14.5 billion deficit would increase the FY 2008-09 estimated deficit to approximately \$9 billion from the \$7.5 billion remaining after the Legislature's actions during the Special Session.

As reported in our April 18, 2008 Sacramento Update, the Department of Finance indicated a \$1.2 billion shortfall between the Governor's revenue estimates for the first nine months of FY 2007-08 and actual cash receipts. This shortfall is being treated as confirmation of the LAO's estimate of a budget deficit for FY 2008-09 exceeding the Governor's projection by at least \$1.5 billion. In addition, personal income tax receipts reported by the State Controller's Office through the first 14 processing days of April would seem to indicate that the deficit continues to worsen, perhaps greatly exceeding \$9 billion for the budget year.

Pursuit of County Position on Legislation

SB 1717 (Perata), as amended on April 15, 2008, would increase the number of weeks of benefit payments to permanently disabled workers over a period of three years. At the end of the three-year period, the number of weeks of benefit payments for each level of permanent disability would be doubled. SB 1717 is similar to County-opposed SB 815 (Perata) of 2006 and County-opposed SB 936 (Perata) of 2007 which would have significantly eroded the savings that have resulted from State workers' compensation reforms of 2003-04. CEO Risk Management estimates SB 1717 would result in an increase of 16.6 percent, or \$40 million to \$50 million, in workers' compensation costs annually for the County.

CEO Risk Management advises that the State is in the process of collecting and analyzing wage loss information and plans to adopt regulatory changes to the permanent disability rating schedule. Until this study has been completed, it would be premature to increase permanent disability payments in the absence of objective statistical data.

This office opposes SB 1717. Opposition to SB 1717 is consistent with the County's opposition of SB 815 (Perata) of 2006 and SB 936 (Perata), both of which were vetoed by the Governor. In addition, opposition is consistent with existing County policy to oppose legislation that erodes the reforms accomplished by the 2003-04 session workers' compensation reform legislation. Therefore, **our Sacramento advocates will oppose SB 1717.**

SB 1717 is supported by the California Applicants' Attorneys Association, Peace Officers Research Association of California, and United Domestic Workers of America. The bill is opposed by 50 organizations including the California Association of Joint Powers Authorities, California Building Industry Association, California Chamber of Commerce, California Hospital Association, California Restaurant Association, California State Association of Counties, County of San Bernardino, League of California Cities, National Federation of Independent Business (NFIB), and the Regional Council of Rural Counties. SB 1717 is scheduled for a hearing on April 23, 2008 in the Senate Labor and Industrial Relations Committee.

Status of County Sponsored Legislation

County-cosponsored AB 1062 (Ma), which would have established a Statewide pilot project to provide rental subsidies to help up to 1,500 homeless, working CalWORKs families stabilize their housing and achieve self-sufficiency, was amended on February 15, 2008 to delete these provisions. In 2007, our Sacramento advocates worked with San Francisco County to introduce AB 1062. Due to the current State budget climate, our Sacramento advocates, the Department of Public Social Services, San Francisco County, and Assembly Member Ma agreed that it would not be prudent to pursue AB 1062 in 2008 because the bill would result in additional State costs within the CalWORKs program. As such, **our Sacramento advocates will remove the County as cosponsor of AB 1062 and adopt a neutral position on the bill.**

County-cosponsored SB 579 (Wiggins), which would authorize the Board of Supervisors to permit reinstatement of firefighters who were forced to retire upon reaching age 60, was approved on the Assembly Floor consent calendar on Monday, April 21, 2008 and now proceeds to the Senate for concurrence in Assembly amendments. The measure is expected to be referred to the Senate Committee on Public Employment and Retirement because the prior contents of the bill were deleted and the current bill consists entirely of amendments adopted by the Senate.

County-supported AB 671 (Beall), which would have required the State Personnel Board to establish an Emancipated Foster Youth Program to provide employment opportunities for former foster youth, was amended on March 11, 2008 to delete this provision. As amended, the bill would define frequent users of health care services for the purpose of providing coverage under the Medi-Cal program. As such, **our Sacramento advocates will remove the County's support position of AB 671 and adopt a neutral position on the bill.**

We will continue to keep you advised.

WTF:GK:MAL
DD:IGR:hg

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants